Estimated Individual Income Tax

Do I have to make estimated income tax payments? If so, how much do I need to pay?

A Colorado individual taxpayer must make estimated income tax payments if they can reasonably expect that the net Colorado income tax liability for the current taxable year will exceed the Colorado sales tax refund and withholding credits by \$1,000 or more. Taxpayers who underpay estimated tax may be subject to a penalty.

The net Colorado tax liability for purposes of the estimated tax computation is defined as the total amount of Colorado tax, alternative minimum tax and recapture of prior year credits less all income tax credits other than the state sales tax refund, withholding credits, and estimated tax credits.

The required annual amount to be paid is the lesser of:

- a) 70% of actual net Colorado tax liability.
- b) 100% of preceding year's net Colorado tax liability.

(This amount only applies if the preceding year was a 12-month tax year and the individual filed a Colorado return and the federal adjusted gross income for the preceding year was \$150,000 or less, \$75,000 or less if married separate.)

c) 110% of preceding year's net Colorado tax liability. (This amount only applies if the preceding year was a 12-month tax year, the individual filed a Colorado return).

Taxpayers who do not receive income evenly during the year may elect to use the annualized income installment method to compute their estimated tax payments if they elected annualized installments for the payment of their federal income tax. (For example, a taxpayer who owns a seasonal business or receives a lump sum payment late in the year.) Also, farmers and fishermen have different requirements for estimated tax payments. See FYI Income 51 "Estimated Income Tax" for information regarding these situations.